

Instructions for Preparation of

FY 2018-19

Capital Outlay, Maintenance, and Disclosure Funding Requests

TENNESSEE HIGHER EDUCATION COMMISSION
Suite 1900, Parkway Towers
404 James Robertson Parkway
Nashville, Tennessee 37243-0830
615-741-3605

Table of Contents

- Introduction – p. 3
 - Process Overview – p. 3
 - Timeline – p. 3
 - Capital Outlay Evaluation Criteria and Objectives – p. 3
 - Project Type Designation – p. 4
 - Capital Outlay Rubric – p. 4
 - External Funding (Match) Thresholds – p. 5
- Outlay Request Requirements – p. 5
 - Governing Board Priorities – p. 5
 - Capital Outlay Out-Years – p. 6
 - Project Assessment Materials – p. 6
 - Summarizing Elements – p. 6
 - Evaluation Criteria – p. 6
- Maintenance Request Requirements – p. 9
 - Maintenance Request Submission – p. 10
 - Capital Maintenance Out-Years – p. 10
- Disclosed Projects Requirements – p. 10

Attachments Referenced

Submission Requirements:

- FY18-19 Capital Outlay Request.xlsx – p. 5, 6, 9
- DB70 Form Example.xlsx – p. 6
- THEC Space Guide – Universities.xlsx – p. 8
- THEC Space Guide – Community Colleges.xlsx –p. 8
- THEC Space Guide – TCATs.xlsx – p. 8
- FY18-19 Capital Maintenance Request.xlsx – p. 10
- FY18-19 Capital Disclosure.xlsx – p. 10

Reference Material:

- THEC Capital Outlay Rubric Overview.docx – p. 5

INTRODUCTION

Process Overview

The goal of the higher education capital program is to develop and maintain physical facilities so that each institution can fulfill its mission and, in accordance with the Public Agenda for Higher Education, increase the number of Tennesseans with a postsecondary credential. To assure fair and equitable funding consistent with the Tennessee Higher Education Commission's (THEC) capital program objectives and the Department of Finance and Administration's Capital Budget requirements, the Commission's recommendations are based upon a prioritization process that incorporates the five criteria described below.

All outlay projects will be evaluated by a team from THEC and may include a campus site visit to review the project plans and discuss details with institution and board officials. THEC will compile the site visit information and evaluator feedback on the top priorities from the eight governing boards (six LGIs, TBR, UT), which will be used to establish a statewide priority list. The Commission will establish the priority ranking of governing board recommended projects that are consistent with the THEC capital outlay policy.

Timeline

For the 2018-19 budget cycle, governing boards will submit project proposals to THEC by **September 15, 2017**. After evaluation, THEC staff will include the prioritized statewide capital outlay and maintenance lists as part of the overall 2018-19 budget request that will be presented to the Commission for action at the **November 16, 2017** meeting. For all future cycles, governing boards will submit project proposals to THEC by July 1 of each year.

THEC staff will host a webinar on **Wednesday, June 7, 9:00am CST** to review the capital submission requirements. THEC staff will also host a Capital Outlay First Look Meeting on **Monday, August 14, 10:00am CST** to provide an opportunity for THEC staff and other stakeholders to review anticipated capital outlay requests. THEC staff will send invites for both events in subsequent emails.

Capital Outlay Evaluation Criteria and Objectives

1. Capital projects will be linked to state goals and the Drive to 55.
 - a. Increase degree production, particularly at the undergraduate level.
 - b. Enhance research and/or workforce development.
 - c. Emphasize focus populations, as identified in the outcomes-based funding formula.
 - d. Identify and address education and workforce needs of local and regional economies.
2. Capital projects should enhance campus mission and distinction, and should be envisioned in the institution's current Master Plan.

3. Institutional facility condition and needs, as analyzed by the THEC Space Planning Guidelines, should be a factor in determining institutional priorities.
4. Boards should develop project proposals that include a programmatic plan, which may include academic planning and early ideas regarding the uses and layout of buildings impacted by each project.
5. External funding should be a factor in project priority, but should not inappropriately determine institutional or system priorities. The capital match program identifies a minimum percentage of project costs to be borne by the campus, ideally from private fundraising. Non-state funds raised above the minimum percentage garner additional points in the scoring process.
6. Both qualitative and quantitative factors should be considered in the Commission's capital priorities.
7. The Commission will be proactive when appropriate to identify types of capital projects that are consistent with statewide goals.
8. All projects, whether major renovations or new construction, regardless of sector or formula/non-formula status, should have a fair chance to receive funding.

Project Type Designation

Governing boards must identify whether a project is New Construction or Major Renovation. New Construction projects will entail either the construction of new facilities or substantial additions to current facilities that require significant programmatic or operation expansion. Major Renovations are projects that change the function, use, or capacity of existing facilities. As detailed below, each project type has different rubric and match threshold implications. Governing boards should consult with THEC staff prior to submission if a project type is not easily identifiable. After submission THEC will confirm project type and reserves the right to change it based on scope and description.

Capital Outlay Rubric

THEC staff will utilize a rubric that differentiates across sectors (Community Colleges/TCATs, Universities, and Non-formula Units) and project type (New Construction and Major Renovation) to prioritize capital outlay projects. The rubric is detailed below.

Prioritization Criteria	CC/TCAT		University		Nonformula Unit	
	NC ¹	MR ²	NC	MR	NC	MR
State Goals & the Drive to 55	40	35	30	30	25	30
Campus Master Plan & Strategic Plan	20	35	30	40	25	30
THEC Space Guideline & Facility Assessment	15	10	15	10	25	20
Program & Business Plan	10	10	10	10	10	10
External Funding	15	10	15	10	15	10
Total	100	100	100	100	100	100

1 - New Construction

2 - Major Renovation

The components required to assess each criterion are described in full in the **Project Assessment Materials** section found on page six of this document. Information regarding the rationale for the different rubric weights and how the rubric works can be found in the attached MS Word document **THEC Capital Outlay Rubric Overview**.

External Funding (Match) Thresholds

All projects must meet a minimum match requirement to be evaluated. The minimum match requirement differs by sector and project type, as detailed below. The match may consist of private gifts, grants, institutional reserves, and other sources.

Further, the External Funding component of the rubric will be based upon a ratio of the project's minimum match requirement to the project's maximum scorable match, meaning that a project with only the minimum match will receive no points, but, as a project's match approaches the maximum scorable match level, points will accumulate proportionately up to the Maximum Rubric Score. The minimum match requirement and the maximum scorable match by sector and project are reported below. A more detailed explanation of how the Maximum Rubric Score is calculated is in the **Project Assessment Materials** section.

Minimum Match Requirements and Maximum Scorable Matches by Sector and Project

Project Type	CC/TCAT/Nonformula Unit		Univ.: Moderate Research/Masters ¹		Univ.: High Research ²	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Major Renovation	0%	5%	0%	10%	0%	15%
New Construction	2%	10%	5%	15%	10%	25%

1 - Includes universities classified as "Doctoral: Moderate Research" (East Tennessee State, Middle Tennessee State, Tennessee State, and Tennessee Technological Universities) or "Master's: Larger or Medium" (Austin Peay State University, UT Chattanooga, and UT Martin) by the Carnegie basic classification system.

2 - Includes universities classified as "Doctoral: Higher Research" or "Doctoral: Highest Research" by the Carnegie basic classification system. The two public Tennessee universities identified as such are University of Memphis and UT Knoxville.

Outlay Request Requirements

Priority lists for all requested outlay projects must be submitted on the attached MS-Excel **FY18-19 Capital Outlay Request spreadsheet, tab "Outlay Requests"** spreadsheet in order to be considered for inclusion in the THEC appropriation recommendations. Governing boards must identify the project type, square footage, project cost, and level and source of external funding.

Governing Board Priorities

Governing boards must report projects in descending priority order. Priority orders will not be altered. Governing boards that serve multiple institutions (Tennessee Board of Regents and the University of Tennessee System), however, may identify a band of their top projects (up to three) so that, in the event that, for example, the third-ranked project within the band scores

higher than the second-ranked project within that same band, the third-ranked project may be prioritized by THEC above the second-ranked project. TBR and UT may create subsequent bands—banding up to three projects in each—for projects prioritized after the initial band.

THEC reserves the right to limit the number of projects reviewed and scored in a given funding cycle.

Capital Outlay Out-Years

In accordance with the preliminary Department of Finance and Administration Capital Budget Instructions, each governing board will submit a capital budget request that contains the capital outlay projects to be requested for each of the four planning years through FY2022-23. **These capital projects should be listed in the appropriate fields on the tab labeled “Outlay Requests” in the FY18-19 Capital Outlay Request spreadsheet.** Governing boards do not need to identify banded priority projects for out-years. Please ensure that the fiscal year totals for the capital outlay listings submitted to the Department of Finance and Administration are the same as the totals on the listings submitted to THEC.

Project Assessment Materials

Summarizing Elements

1. *Abstract*

Proposals should include a project abstract no longer than 250 words. In addition to a brief description of the project, the abstract should state whether the project classifies as a New Construction or a Major Renovation project. (Note: THEC reserves the right to reclassify the project dependent on project description and scope).

2. *DB70 Form*

Proposals should include their respective governing board’s DB70 form (see example from TBR attached) which must be completed in accordance with respective governing board’s guidelines. For the purpose of THEC’s evaluation, only the DB70 tab will be used for reference.

Evaluation Criteria

1. *State Goals & the Drive to 55*

Over the last several years, two landmark initiatives—the Complete College Tennessee Act of 2010 and the Drive to 55—have provided the policy foundation for Tennessee higher education. The core elements of THEC’s 2015-2025 Master Plan reflect the priorities of the CCTA and the Drive to 55, namely:

"The overriding function of the Plan is to direct higher education to be accountable for increasing the educational attainment levels of Tennesseans, while also: addressing the state's economic development, workforce development, and research needs...."

"Although this Plan places certificate training and undergraduate education at the center of the state's college completion policy agenda for the decade 2015-2025, the state continues to acknowledge the critical need for academic programs of distinction at the graduate and professional level to fully address Tennessee's economic development, workforce, and research needs."

Capital project proposals should develop a narrative of no more than 1,500 words that explores the connections between the project and statewide goals. Of note is that certain types of projects, particularly renovations, may not have obvious and tangible impacts on numerical state goals. This fact is reflected in a lower relative weight applied to this factor's score. Institutions should still provide information that links the requested Major Renovation project to state goals.

The THEC Master Plan can be found here:

<https://www.tn.gov/assets/entities/thec/attachments/MasterPlan2025.pdf>.

Project narratives should address the following as applicable:

- Number of students or constituents directly and indirectly served by the project;
- Projected impact on credential production or enhancement in quality of existing credential production;
- Expansion of research and/or public service mission; and
- Labor and workforce dynamics, including any appropriate analysis of local or regional supply/demand data.

Data sources that may help address the above descriptions included, but are not limited to:

- THEC *Master Plan for Tennessee Postsecondary Education 2015-2020* (<https://www.tn.gov/assets/entities/thec/attachments/MasterPlan2025.pdf>);
- THEC/Boyd Center for Business and Economic Research labor supply/demand reports (e.g., <http://cber.haslam.utk.edu/pubs/mnm130c.pdf> or https://www.tn.gov/assets/entities/thec/attachments/Academic_Supply_Occupational_Demand_-_Final_Version.pdf);
- Tennessee Department of Labor and Workforce Development Occupations in Demand reports (<https://www.tn.gov/workforce/topic/occupations-in-demand>); and
- Data provided by the Tennessee Department of Economic and Community Development's Center for Economic Research in Tennessee (CERT) (<https://www.tn.gov/ecdl/>).

2. *Campus Master Plan & Strategic Plan*

Capital project proposals should develop a narrative of no more than 1,500 words that links the project with the institution's strategic plan and campus facilities master plan. The proposal should provide relevant objectives from the strategic plan—with web links to the strategic plan where appropriate—and clarify how the project aligns with state objectives. The proposal should also cite specific references of the proposed project in the current master plan.

3. *THEC Space Guideline & Facility Assessment (see attached **MS Excel THEC Space Guides spreadsheets: Universities, Community Colleges, and TCATs**)*

Capital project proposals should include a space-needs analysis narrative of no more than 750 words that provides context to the spreadsheet and assessments included. For universities and community colleges, the project proposal should include the "Summary NASF" portion of the THEC Space Guidelines spreadsheet; for TCATs, the project request should include the entire THEC Space Guide Allocation spreadsheet. The proposal should also include any other space utilization studies if appropriate. If the Space Guidelines do not apply to the project (e.g., for non-formula units) or only partially applies, proposals should provide the details of the identified need outside the guidelines that drives this project (e.g., research).

The proposal should also include a current facilities assessment (e.g., a Facility Survey Score) and the general condition of any existing building that will be impacted by this project—including any buildings that will be renovated or demolished.

Major renovation and replacement projects should also include a condition assessment of the major systems of a building (i.e., HVAC, roof, envelope, and others) and identify which ones will be addressed by the project.

4. *Program & Business Plan*

Capital project proposals should include a narrative of no more than 1,000 words that provides an overview of particular project aspects and ensures that institutions and governing boards have a sufficiently developed project plan. This element is not intended to be prescriptive on how certain aspects of the project ought to be structured, but will instead illuminate and explore important aspects of the project. Governing boards should ensure that each capital outlay project submitted to THEC addresses all of the elements below. Project proposals should provide an overview or summary of these elements, including:

1. Cost analysis of the total project;
2. Total number of students (FTE) directly and indirectly served by the project. If applicable, total amount of people impacted by the projected research;
3. Ongoing costs to maintain the building and its academic programs/research;
4. Program for how the project meets the defined need;

5. An assessment of alternatives to the project that were considered to meet the academic and space needs of the institution;
6. Migration plan for buildings and programs impacted by the project; and
7. An anticipated project schedule for design and construction.
8. Any preliminary concept sketches that provide an overview of the project.

5. *External Funding (See **FY18-19 Capital Outlay Request** spreadsheet, tab “**External Funding**”)*

This portion of the proposal will consist of the Excel file attached only. Committed External Funds must match what is reported on tab “Outlay Requests” of the same spreadsheet. For each capital outlay project, the evaluation of external funding will include two elements. First, all New Construction projects have a required ten percent (10%) external funding level for institutions classified as “Higher Research” or “Highest Research” by the Carnegie basic classification system; five percent (5%) for all other universities; and two percent (2%) for community colleges, TCATs, and non-formula units. Projects that are requested and deemed by THEC to be renovations have no required minimum external funding level. Second, for both types of projects, the level of external funding beyond the minimum requirement will be assessed and scored. This second factor will account for the overall level of external funds that an institution will contribute to a project. Meeting the minimum external funding level is required, and will result in a score of zero (0). Projects will begin to proportionally accrue points only as external funding exceeds the minimum level, up to a specified maximum level.

MAINTENANCE REQUEST REQUIREMENTS

A capital maintenance project is a rehabilitation project that keeps a facility or asset in efficient operating condition, or is needed to restore a facility to an acceptable condition but does not include programmatic renovation, demolition, or new construction. These projects are of a non-recurring nature, beyond the scope of ordinary repairs, and do not appreciably prolong the previously estimated service life or increase the estimated value of the building.

In general, ordinary repair and maintenance projects and other projects below the following expenditure levels will be funded through operating appropriations rather than capital maintenance:

- \$100,000 at the University of Tennessee, Knoxville and the University of Memphis
- \$50,000 at all other universities
- \$25,000 at Community Colleges and TN Colleges of Applied Technology

Each governing board is allocated a proportion of the total higher education capital maintenance request based on the Sherman-Dergis Formula. This industry-standard formula calculates an estimated annual renewal cost for each campus, based on the aggregated age, size, and type (e.g., fine arts vs. engineering) of E&G space as reported on the FY2017-18 Schedule D. Each governing board’s proportion is equal to the sum of the respective individual

campus' renewal costs divided by the total higher education renewal cost. For planning purposes, the FY2018-19 maintenance pool request will be set at **\$120,000,000**. Should THEC alter the total request, the calculated proportions for each governing board will remain the same, but the governing board maintenance requests will change *pro rata*.

Maintenance Request Submission

All maintenance requests must be submitted on the tab labeled "Maintenance Request" in the attached FY18-19 Capital Maintenance Request spreadsheet. Select the appropriate governing board from the drop-down menu—the 2018-19 Maintenance Allocation for the selected governing board will automatically populate. In the space provided, insert the name of the institution, project, project cost, and project description. Insert more rows if requesting more than 20 maintenance projects. Total Project Cost must not exceed the 2018-19 Maintenance Allocation for your governing board.

Capital Maintenance Out-Years

In accordance with the Department of Finance and Administration Capital Budget Instructions, each governing board will submit a capital budget request that contains the capital maintenance projects to be requested for each of the four planning years through FY2022-23. **These capital projects should be listed in the appropriate fields on the tab labeled "Maintenance Request."** The projects listed are not confined to any calculated pools as these are preliminary estimates.

DISCLOSED PROJECTS REQUIREMENTS

Each governing board must submit a list of all anticipated capital projects to be funded from sources other than state appropriations, such as institutional funds, auxiliary funds, reallocation of existing capital funds, Tennessee State School Bond Authority funds, or gift funds, for FY2018-19. All construction or erections of new buildings or structures in excess of \$100,000 must be disclosed to THEC. All major maintenance projects, in which "major maintenance" is defined by State Building Commission policy 2.01.A.2. as "the repair or renovation of any building or structure or any portion thereof," in excess of \$500,000 must be disclosed to THEC.

All disclosure projects must be submitted on the tab labeled "2018-19 Disclosure" in the attached FY18-19 Capital Disclosure spreadsheet.

Quarterly Submission

Should unforeseen opportunities or needs arise that require disclosure *during* a fiscal year, governing boards may disclose such projects each quarter, in coordination with requests from THEC. THEC will request quarterly submissions for disclosed projects in June, September, December, and March for projects intended to be initiated in the three months that follow.

THEC reserves the right to request a governing board hold a disclosed project of significance—one that requires master plan guidance—to the following fiscal year submission.

Projects funded by TSSBA funds can only be disclosed during the annual process.

Emergency Projects

If an event occurs which requires a campus or unit to immediately engage in a capital project exceeding the aforementioned thresholds to avoid immediate danger to persons or property or when absolutely essential and indispensable to campus operations, governing boards may initiate the project immediately but must disclose it in the subsequent quarterly submission.